



2005 - 2010 STRATEGIC PLAN

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Mission Statement

Mission Statement: The Washington Utilities and Transportation Commission protects consumers by ensuring that utility and transportation services are fairly priced, available, reliable and safe.

Listing of Statutory Authority References

The Commission regulates utilities under authority granted in Title 80 and transportation companies under Title 81 of the Revised Code of Washington (RCW). The Commission's rules are in Title 480 of the Washington Administrative Code (WAC). The following chapters authorize the UTC's utility regulatory programs:

- 80.01 - Utilities and Transportation Commission
- 80.04 - Regulations – General, including hearing procedures, annual reports, etc.
- 80.08 - Securities
- 80.12 - Transfers of property
- 80.16 - Affiliated interests
- 80.20 - Investigation of public service companies
- 80.24 - Regulatory fees
- 80.28 - Gas, electrical, and water companies
- 80.36 - Telecommunications.

The following chapters authorize the UTC's transportation and safety programs:

- 81.04 - Regulations -- General
- 81.08 - Securities
- 81.12 - Transfers of property
- 81.16 - Affiliated interests
- 81.20 - Investigation of public service companies
- 81.24 - Regulatory fees
- 81.28 - Common carriers in general
- 81.44 - Common carriers -- Equipment
- 81.48 - Railroads -- Operating requirements and regulations
- 81.52 - Railroads -- Rights of way -- Spurs -- Fences
- 81.53 - Railroads -- Crossings
- 81.54 - Railroads -- Inspection of industrial crossings
- 81.68 - Auto transportation companies
- 81.70 - Passenger charter carriers
- 81.77 - Solid waste collection companies
- 81.80 - Motor freight carriers (trucking and household goods movers)
- 81.84 - Commercial ferries
- 81.88 - Gas and hazardous liquid pipelines.
- 81.108.1 - Low level radioactive waste disposal sites.

Overview

The Washington Utilities and Transportation Commission (UTC) ensures that essential utility and other transportation services are broadly available, safe, and fairly priced. We do this by carefully balancing the interests of the companies providing the services with the interest of the consumers who pay in excess of \$5 billion annually for those services. This is a role that the commission has performed for almost 100 years and one which has required considerable adaptation over time.

The UTC regulates a wide range of services including: telecommunications, electricity and natural gas, solid waste collection, water, pipelines, railroad carriers & facilities, in-state movers, ferries, and bus companies. For each industry, the type and purpose of regulation varies as does the agency's authority and jurisdiction. Changing market conditions, technology, federal and state laws, and consumer expectations make for an ever-changing policy landscape.

The Commission values the ability of the public and companies to gain access information about cases, evidence on which decisions are based, and other actions taken by the agency. All meetings are open to the public and many members of the public participate in formal Commission cases addressed at the public meetings. Unlike most state agencies, the Commission also functions as a quasi-judicial body. This means that, like a court of law, it rules on cases brought before it.

Below is a summary of the some of the major factors contributing to the UTC's external environment today.

Telecommunications

The political and legal environment has been in constant flux since pro-competitive policies were enacted in the 1996 Federal Telecommunications Act. This law, and the political consensus that led to its enactment, enabled the UTC to implement fundamental changes to the telecom industry structure in Washington. The UTC required existing local phone companies to allow competitors to serve their customers and, in turn, the UTC has been able to reduce regulation of the industry. However, there have been significant changes in federal regulatory policy and law in the past two years. These changes in the authorizing environment have reduced, but not eliminated, the ability of the UTC to implement pro-competitive policies.

Technological changes, and federal regulators' responses to those changes, have also limited the UTC's policy options. In the past decade, the fastest growth in telecommunications services has been in mobile (cellular) services and Internet services. A longstanding state law prohibits UTC oversight of mobile services, and federal regulators declared that Internet access was subject only to federal regulation.

The combined effect of these legal, regulatory, and technological changes is to lessen the UTC's ability to ensure consumer protection, customer choice, and universal service. To the extent competition has supplanted the need for regulation, this diminished role for state regulators is not a problem. The UTC has aggressively eliminated regulation where competition emerged, sometimes doing so over the objections of the regulated firms. However, the actual degree of customer choice is less than many policy makers perceive, in part because competitors have focused on the economic elites. As a result, the perception among some policy makers of a declining need for regulatory protections is often not shared by citizens who see themselves as captive customers for essential services.

Key consequences of this external environment are:

- Services that use new technology, such as Internet telephone service, are not readily covered by consumer protection, public safety, and universal service requirements. Existing statutes often assume that all providers are regulated.
- Consumers have greater choice of providers and technologies, though the degree of choice varies.
- Providers of legacy services, such as basic dial tone, press for reduced regulation of their services or consistent application of their regulations to the new technologies.
- Consumers who switch to new technologies may find that service quality and emergency access are less than expected. The UTC may have little or no ability to respond to complaints about those services.
- Competition telecom companies, and a shift from regulated services to unregulated services, can reduce revenues from UTC regulatory fees, secure these fees are based on the revenues of regulated companies.

Energy

Washington's electric utilities are still recovering from the consequences of the Western electricity crisis of 2000 and 2001.

To address growing demand for power supply and to avoid again relying significantly on riskier wholesale power markets, the utilities are securing long-term power supplies through both ownership and contract.

Integrated resource planning, a tool that languished during the "market-focused" 1990's, is receiving a renewed emphasis as a way of ensuring that utilities consider the costs, risks, and benefits of all resource options when they develop their power supply resource plans.

But the utilities are challenged by three important consequences of the failure in the Western power markets: continuing cost pressures, lack of investor confidence in the electricity sector, and regulatory uncertainty, particularly at the federal level. Regulatory uncertainty on the national level comes from Federal Energy Regulatory Commission initiatives to further the development of competitive markets and Regional Transmission Organizations and Congressional actions with the proposed Energy Bill. Regulatory and policy questions on the regional level come from uncertainty regarding regional transmission governance and uncertainty regarding Bonneville Power Administration's long term role in both transmission and power supply adequacy.

In the natural gas sector, the supply and demand relationship across the country and in the West has become tighter. As a result, gas prices in the unregulated wholesale markets have increased significantly in both magnitude and volatility. This situation affects both local distribution company rates and fuel supply costs for electric generators.

This environment has the following consequences:

- Demands on regulators to respond to the challenges facing the utilities and at the same time preserve the interests of customers in reliable service at reasonable rates.
- More frequent rate-change requests from regulated companies attempting to keep their rate structure in line with the cost of new resource acquisitions.
- More frequent, and some times overlapping, proceedings as a result of new regulatory mechanisms designed to provide more flexibility for companies to adjust electricity and natural gas rates.
- Continuing need for advocacy of the state's interests in both federal and regional electricity policy.

Pipeline Safety

The UTC's Pipeline Safety Division is maturing into its new role as the state agent for the federal Office of Pipeline Safety. While the UTC has full authority to regulate pipeline safety for intrastate pipelines, its role on interstate pipelines is limited to being an agent of the federal government. This means that while the UTC is responsible for incident investigation, monitoring compliance and communicating information to the wide number of stakeholders involved, the actual regulatory decision-making rests with the federal agency. An aging interstate natural gas pipeline in Western Washington that was shutdown for safety concerns in 2003 has been the first real test of this regulatory arrangement. While steeped in engineering and investigation expertise, the Pipeline Safety Division has had to develop communication capabilities to work positively with the wide number of stakeholders involved in pipeline safety including companies, state emergency management, city and county governments, fire districts, police, citizens groups, developers and excavators and media. Also, urban sprawl has expanded the population base affected by pipeline incidents. This external environment creates some of the following consequences:

- A communication challenge in sharing information with these stakeholders and in drawing the distinction between being the regulatory decision-maker (the federal government) and the agent of that regulatory decision (UTC's pipeline safety division.)
- More flexibility in adjusting normal inspection activities to allow for a higher priority response to major pipeline incidents.
- Balancing high public expectations and legislative demand for access to pipeline data with industry-raised security concerns about the release of too much pipeline detail.
- Increased calls for assistance from local governments who look to the Pipeline Safety Division to provide counsel and expertise on setbacks, zoning and other issues that relate to land use and public safety adjacent to these pipelines.

Rail Safety

Urban sprawl along with the demand for faster, more frequent rail transport is increasing the risk of collisions between trains and people. To improve efficiency, rail companies are employing new trains and improved track and routing technologies, including remote control mechanisms that allow trains to operate without an on-board engineer. Yet, safety equipment, particularly at grade crossings has not kept pace. This external environment has the following consequences:

-
- Greater demand on the UTC's resources as it enforces the new rules governing remote control technology.
 - More proceedings to handle railroad crossings closures and to ensure safety devices are installed and operating properly.
 - Increased use of diagnostic evaluations and improvement projects to deal with aging crossing signals.
 - Concern over the future ability of funding safety programs derived from fees based upon intrastate railroad economic activity. Fees are currently at a low point despite increased train traffic from interstate commerce. Sound Transit and Amtrak pay no fees.

Drinking Water

The provision of safe drinking water is an increasingly expensive endeavor with costs rising faster than any other type of utility. More small water companies are falling within UTC jurisdiction, not because of the number of customers served, but because of the amount of the rates charged. Federal Safe Drinking Water Act mandates are fueling most of these rate increases. Although these rate increases affect a very small percentage of the population, the monthly rates can be high and can have a significant impact on those customers' budgets. This external environment has these consequences:

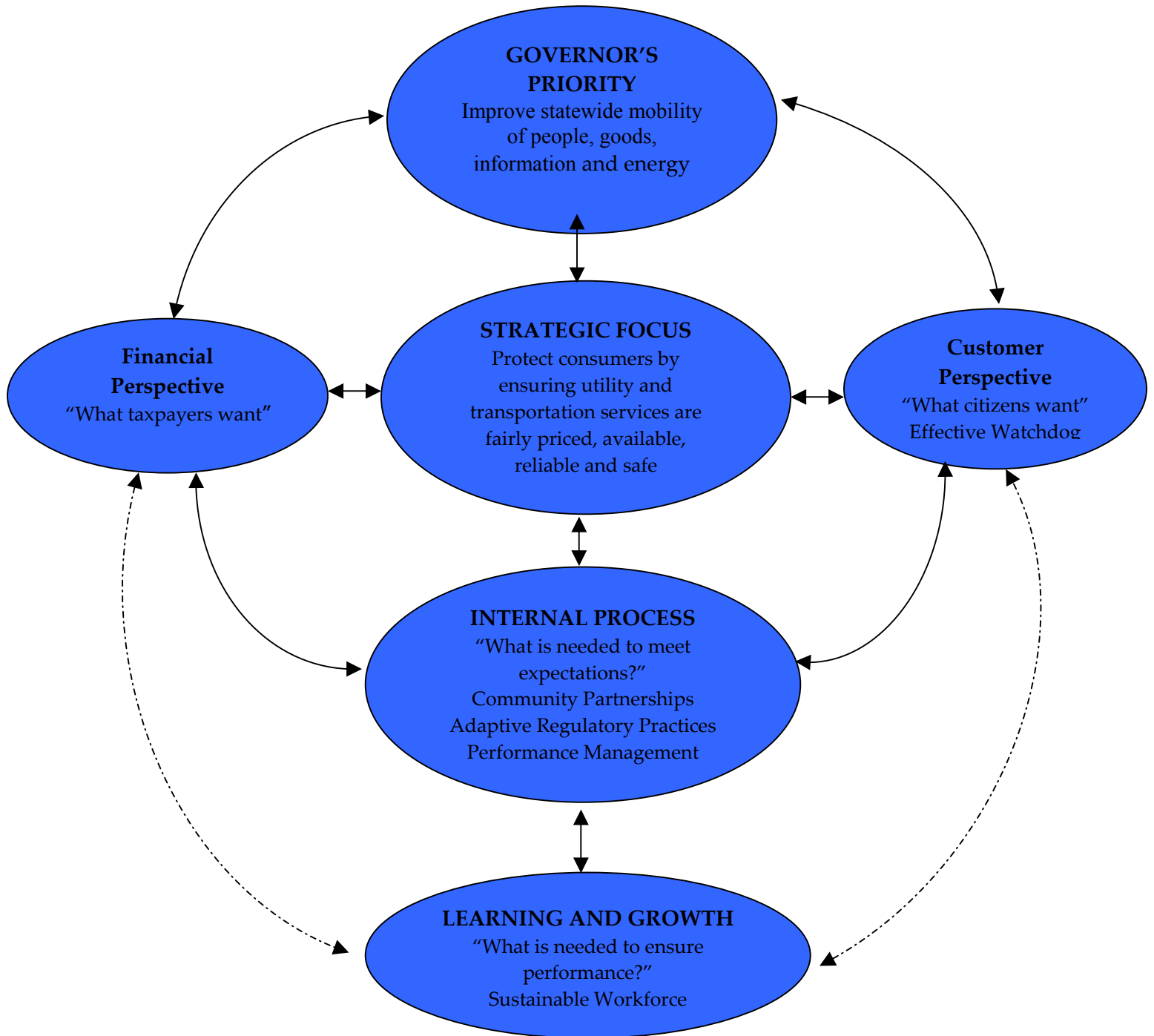
- More regulated small water companies mean more regulatory activity that is not fully covered by its fees. Due to their relatively small customer size, water companies do not pay an amount of regulatory fee sufficient to cover the cost of regulation.
- Increasing pressure from all parties for the commission to spend more resources in regulating water companies.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

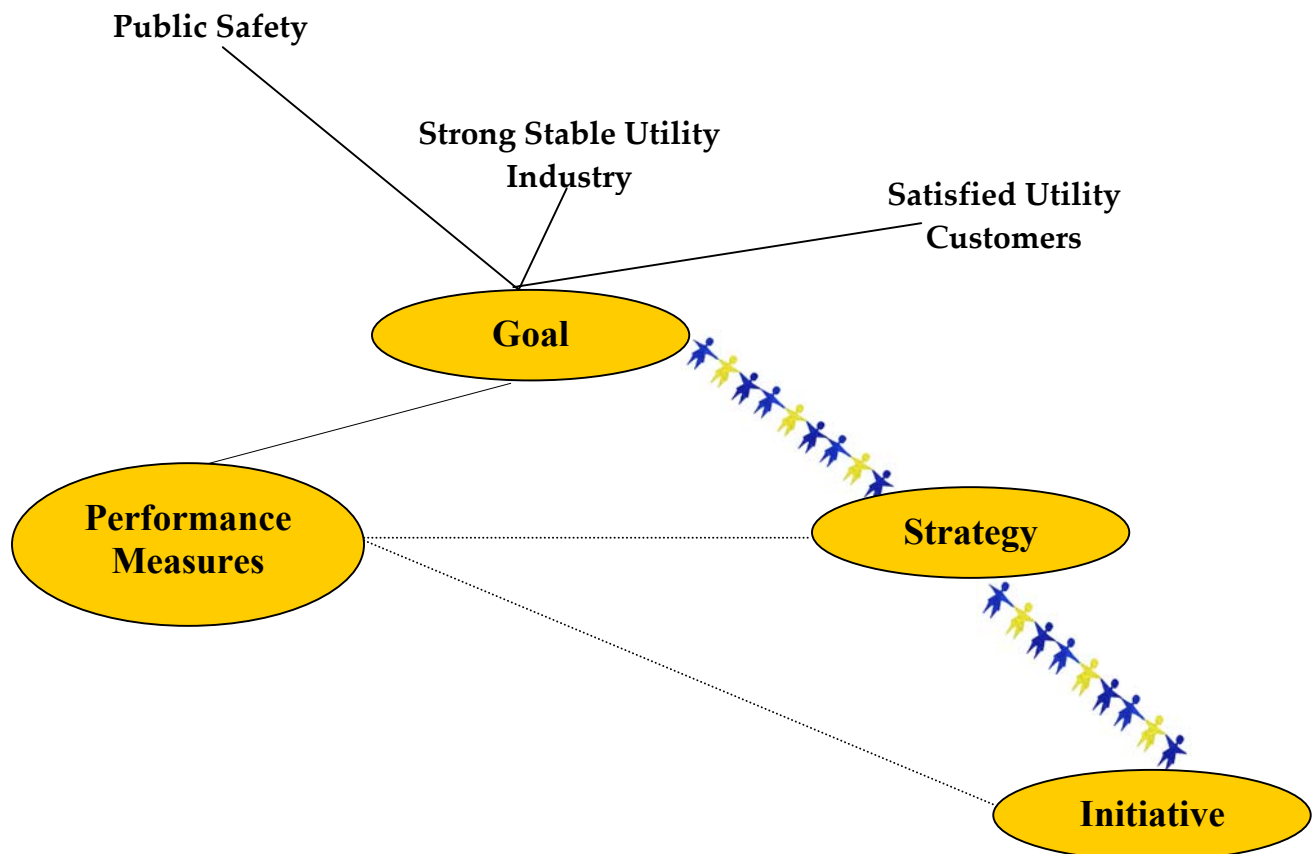
HOW WE MAKE
A DIFFERENCE...GETTING RESULTS

2005 - 2010
FISCAL YEARS

UTC Balanced Scorecard



Result Areas



Public Safety 2005-2010

Goal

Protect Life and Property.



Strategy

Target collisions between people and trains.

Initiatives

- **Fund railroad safety projects in areas where people frequently walk on tracks.**
- **Target traffic control improvements to highest risk rail crossings.**
- **Process grade crossing improvement and closure requests in an average 60 days of receipt.**
- **Provide safety awareness and education programs.**

Public Safety

Goal

Protect Life and Property.



Strategy

Target inspections efficiently.

Initiatives

- **Focus safety inspection on companies with identified risk factors.**
- **Re-inspect all motor carriers with less than a satisfactory safety rating.**
- **Use a risk-based program of inspections for pipeline industry.**
- **Exceed federal requirements for specialized Pipeline safety training.**
- **Ensure new carriers know and understand safety requirements.**

Goal

Protect Life and Property.



Strategy

Increase public/stakeholder awareness of pipeline safety issues.

Initiatives

- **Develop with industry and other pipeline safety stakeholders a cooperative communications plan on pipeline safety.**
- **Sponsor training in areas of risk-based management & other safety strategies.**
- **Provide pipeline mapping information to stakeholders in a format and manner they can use effectively.**
- **Support efforts to implement damage prevention best practices.**

Strong, Stable Industries 2005-2010

Goal

Fair Treatment of Regulated Companies.



Strategy

Consistently enforce state law and rules.

Initiatives

- **Adopt standard practice for following up with companies regarding rule violations and missed deadlines.**
- **Ensure all companies pay their regulatory fees in a timely manner.**
- **Ensure rules are necessary, clearly written and fairly enforced.**

Strong, Stable Industries

Goal

Effective competitive telecommunications
Markets.



Strategy

Open entry and minimize barriers.

Initiatives

- Act promptly when companies make filings necessary to begin service, including interconnection agreements, federal universal applications, and registration applications.
- Provide assistance on legal and regulatory requirements to companies attempting to increase customer choice by offering new services or entering new markets
- Act promptly when disputes arise between competitors in the negotiation or enforcement of interconnection agreements.
- With other advocates for competition, work with state and federal policy makers to ensure continued access of consumers to multiple providers.

Strong, Stable Industries

Goal

Energy Utilities with Sufficient Supplies
at Relatively Stable Costs.



Strategy

Retain access to benefits from federal hydropower
system initiatives.

Initiatives

- Monitor and actively participate in Bonneville Power Administration proceedings.
- Actively advocate at federal and regional level for the interests of Washington consumers, business, and utilities.

Strategy

Encourage cost-effective investments in energy.

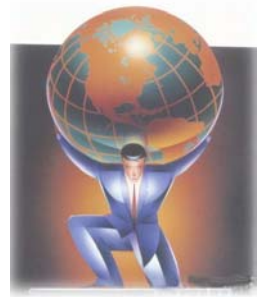
Initiatives

- Update Integrated Resource Planning rules to ensure regulated utilities are planning for the future.
- Monitor the degree of resource diversity in the electric utility resource portfolios.

Strong, Stable Industries

Goal

Minimize Regulatory Burden on Companies.



Strategy

Provide technical assistance to companies.

Initiatives

- **Develop audit standards to improve rate filings.**
- **Educate selected industries, local governments, and consultants on commission processes, regulatory principles, product requirements, and staff recommendations.**
- **Assist companies offering new services.**
- **Assist new entrants in understanding permitting process.**

Strong, Stable Industries

Goal

Minimize Regulatory Burden on Companies.



Strategy

Reduce lengthy, expensive litigation.

Initiatives

- Fully utilize case management system and track objective milestones.
- Assist parties in settlement discussion by training UTC judges in negotiation techniques, and providing time in hearing schedule to conduct successful mediation.
- Provide additional negotiation and mediation training and experience to staff.

Strategy

Improve methods for companies and others to submit & access information.

Initiatives

- Expand opportunities for electronic filings and electronic exchanges of information.
- Develop section web pages and post information promptly.
- Make mapping data on solid waste collection territories available via website.
- Develop on-line applications for permits and registrations.

Satisfied Customers 2005-2010

Goal

Consumers receive the services they need and want.



Strategy

Uphold service quality and reliability.

Initiatives

- Establish and enforce quality-of-service standards and incentives.
- Require reports and evaluate service-reliability data.
- Focus company attention on areas with the greatest service-reliability concerns.
- Examine appropriate role for service quality standards in competitive markets.

Strategy

Promote widespread availability of essential services.

Initiatives

- Assist companies with Federal universal service administrators.
- Work with DSHS to improve efficiency of WTAP for low-income customers.
- Target underserved areas to improve service availability.

Satisfied Customers

Goal

Consumers trust government and regulated companies.



Strategy

Reduce consumer abuse by targeting unfair, misleading or deceptive business practice.

Initiatives

- Continuously evaluate complaint data to identify recurring or substantive problems.
- Promptly investigate questionable business practices.
- Provide technical assistance to new entrants.
- Enforce rules equitably.

Strategy

Minimize consumer frustrations when possible.

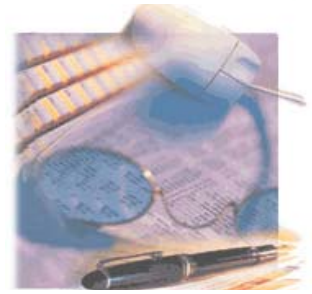
Initiatives

- Maintain quick and effective turn around on customer complaint investigations.
- Enforce rules on efficient use of telephone prefixes to avoid adding another area code.
- Enforce privacy rules and be vigilant toward future customer privacy issues.
- Work with companies to keep bills clear and understandable.
- Assist consumers in effectively participating in WUTC proceedings.
- Work with attorney general and other stake holders to stop deceptive advertising practices.

Sustainable Workforce 2005-2010

Goal

Employees have information, training and tools needed to do their jobs.



Strategy

Help employees understand the important role they play.

Initiatives

- Increase annual employee performance appraisal participation and link goals to strategic plan.
- Provide employee training on UTC Emergency Management Plan.
- Implement periodic customer surveys and utilize feedback improve services.

Strategy

Utilize technology to increase staff efficiency and reduce costs.

Initiatives

- Increase number of electronic documents available on-line.
- Provide high priority customized software tools.
- Ensure LAN availability remains high.

Sustainable Workforce

Goal

The UTC is a wise steward of public resources.



Strategy

Washington Works is implemented within the UTC in a timely manner.

Initiatives

- Train employees on new policies and procedures that result from Washington Works.
- Develop the internal processes and training necessary to implement a performance based culture.

Strategy

The UTC develops a new cost accounting systems.

Initiatives

- Work with OFM to develop a new cost system to ensure timely, accurate, and usable information.

Strategy

Integrate sustainable practices into the Commission's procurement processes.

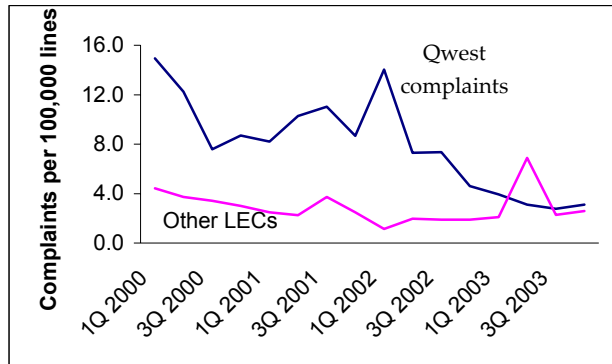
Initiatives

- Purchase recycled and remanufactured products whenever practicable.
- Eliminate wasteful practices and maximize the reuse / recycling of all materials and products.
- Eliminate the purchase of products containing persistent bio-accumulative toxic substances.

Performance Assessment

2003 – 2005 Measures

Telephone service quality complaints per 100,000 access lines, Qwest and other local exchange companies (LECs)



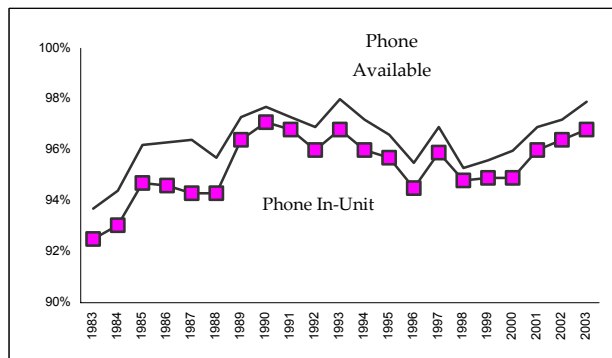
Section: Telecommunications

Objective: Service quality

Target: Qwest's 1994 complaint level

Notes: Both Qwest and other local exchange companies (LECs) have lowered their complaint rate, so we have achieved our target, even though this measure relates only indirectly to WUTC performance. In the second quarter of 2003, for the first time ever, Qwest complaints were lower than other telephone companies.

Percentage of WA households with telephone service.



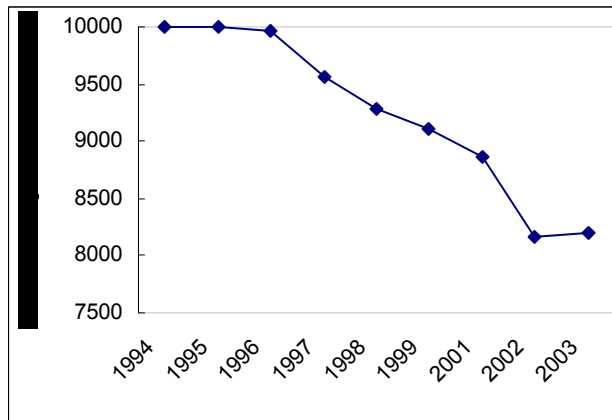
Section: Telephone

Objective: Available Service

Target: 96% of households have telephone service

Notes: In 2003, **96.8% of WA residents had telephone service**, while 97.9% had a phone available. Data from June, 2003, FCC subscribership report available at: <http://www.fcc.gov/wcb/iatd/lec.html>

Measure of competition in WA telephone industry.



Objective: Customer choice

Target: Increase competition

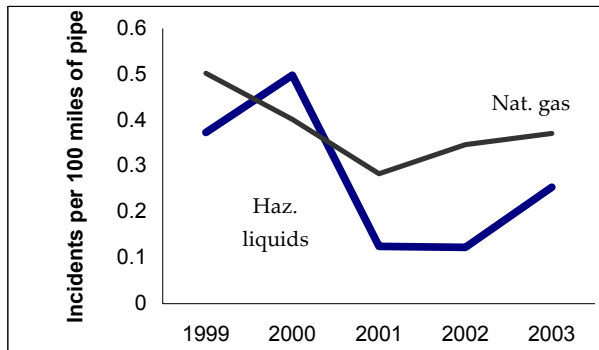
Notes: **Competitive telephone companies lost market share slightly in 2003 - 10.0% compared to 10.3% in 2002.** However, the Commission deregulated Qwest's Washington business services in 2003 after finding that business customers had competitive alternatives in every exchange except one. In the measure, a lower number means more competition in the industry, with 10,000 being a perfect monopoly. Data source: FCC, Dec. 2003: <http://www.fcc.gov/wcb/iatd/comp.html>.

Performance Assessment

Public Safety Measures

Arrows (↑ or ↓) indicate direction of better performance.

Incidents reported per hundred miles of pipe, hazardous liquids and natural gas



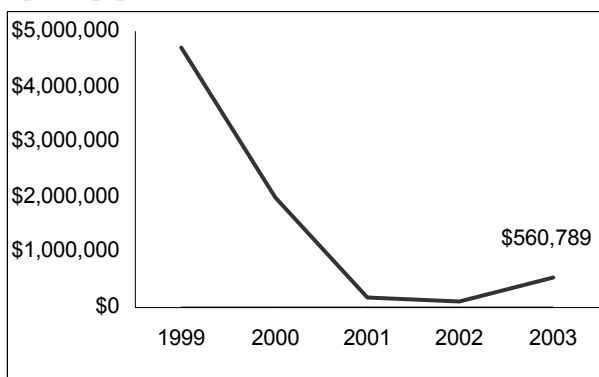
Section: Pipeline

Objective: Improved public safety - By reducing pipeline incidents, our pipeline safety program should reduce the risk of deaths or injuries.

Target: No incidents

Notes: Washington has 20,728 miles of natural gas pipe and 787 miles of hazardous liquid pipeline. "Incidents" are leaks, ruptures or explosions reported to the UTC. In 2003, there were 77 natural gas incidents (up slightly from 72 in 2002) and two hazardous liquid pipeline incidents (vs. one in 2002).

Value of property damage caused by gas & hazardous liquids pipeline incidents, annual 1999-2003



Section: Pipeline

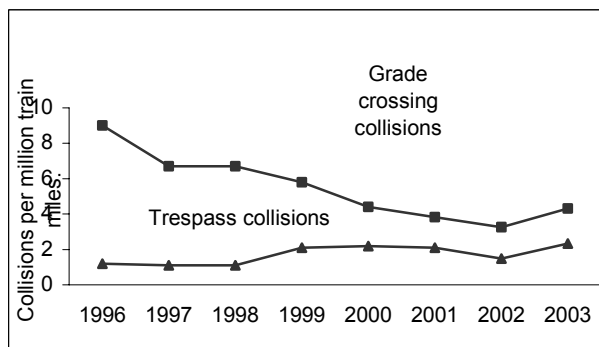
Goal: Protect property

Target: No property damage

Notes: 2004 first quarter property damage was only \$15,000. There was no property damage from hazardous liquid incidents in 2003. Without the two Williams pipeline ruptures in 2003, damage would have been much lower.

	Total Value of Reported Damage
1999	\$4,705,945
2000	\$1,989,343
2001	\$165,248
2002	\$104,984
2003	\$560,789

Grade crossing and trespass collisions per million train miles



Section: Rail

Objective: Public safety

Target: No collisions

Notes: This measure looks two types of collisions: those at grade crossings, and those involving pedestrians trespassing on railroad tracks. To account for fluctuations in number of trains, this "normalizes" the data by looking at collisions per million train miles. Both measures increased last year, the first time this has happened since we've been tracking data. The UTC has sought legislation for several years – unsuccessfully – to strengthen rail trespass laws.



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